
Banks Need Managed Accts For Boomer Wealth

By Thomas Coyle

Retail banks have to offer managed accounts to their best private customers or risk missing out on the coming wealth management explosion. That was the core message of a conference hosted by [Thomson Media](#) and the [Money Management Institute](#) in Dallas earlier this week.

"Banks will get more of a customer's wallet by offering third-party managers in addition to proprietary offerings than with proprietary offerings alone," says **Chip Roame**, managing principal of Tiburon, Calif.-based [Tiburon Strategic Advisors](#) and the conference's keynote presenter.

In Roame's view, banks should take the trouble now to combine core offerings like credit and trust capabilities with proprietary and non-proprietary investment platforms. That way they'll be in position to offer the kind of soup-to-nuts wealth management rich baby-boomers will demand as they wind down their careers and head into retirement over the next 20 years or so. Managed accounts come into play as the easiest way to bring outside managers to an affluent clientele that wants a degree of customization that mutual funds can't deliver.

"Boomers want everything their way," says conference co-chair Jeffrey Cusack, national head of sales and marketing for [JPMorgan Chase](#)'s private-client group. So the best way to win them over is to offer customized wealth solutions that bring "banking, trust services and investing together." In that sense banks have an advantage over their rivals in the brokerage business. "It's easier to attach an investing platform to a banking and trust provider than it is to attach banking and trust services to an investing platform," says Cusack.

Despite that advantage, banks are getting clobbered on the ground. Though frequently touted as the fastest growing distribution channel for retail managed accounts, banks' overall market share is still less than 7%, according to [Cerulli Associates](#), a Boston-based research consultancy. That, says Roame, is "pathetic" compared with the 80% share that national brokerages enjoy. Cerulli offers another sobering indication of banks' failure to keep up with their rivals: between 1992 and 2003, private banks' portion of the overall wealth market plummeted from 62% to 24%.

If winning back wallet share from well-to-do clients means grafting managed accounts onto proprietary investing platforms, some erstwhile hold-outs are willing to make the effort. "We have to because we're losing business," says an executive with the asset-management unit of a \$50-billion bank in the Mid-Atlantic region who attended the conference. "We're going to the table and losing out to firms from New York because we don't have managed accounts."

But a bank that opts for managed accounts faces some hard choices. For one, it has to decide if it makes more sense to build a managed account platform from scratch or contract with a third-party provider like [Lockwood](#) or [Advisorport](#). The first option entails large upfront costs and the trouble associated with outreach to managers and the rigors of due diligence. The second option can mean diminished independence.

The bank also has to get used to letting outside managers compete for proprietary assets. With that in mind, **Peter Green**, a senior v.p. with **Prudential Investments**' private-client consulting group, suggests that banks opt for "flexible" as opposed to totally "open" architecture as a way to minimize such "cannibalization" of assets. In practice that would mean cherry-picking outside managers to "complement core asset management capabilities" rather than compete with them directly, says Green.

Some bankers at the conference asked whether managed accounts are best positioned as brokerage or trust offerings. **Paul Schaeffer**, a managing director with Oaks, Pa.-based **SEI Investments**, says the question *should* be moot to an institution truly dedicated to wealth management. "Don't focus on internal business distinctions, pay attention to what your clients need," he advises. "How you organize your business should be dictated by client needs without reference to upholding traditional functions."

George Wilbanks agrees. He's managing director of New York-based recruitment firm **Russell Reynolds Associates**. If functional silos can't be razed altogether, then bankers should set to work building sturdy bridges between them. "Move the discussion between teams to overall consultative selling and 'share of wallet' strategies," he says. "Don't dwell on independent [profit and loss] approaches."

That still leaves banks to figure out how to attract and keep advisors with the consultative skills

required to make managed account platforms live up to their promise. On that score, **Sheryl Colyer**, administrative head of [Citigroup Asset Management](#)'s retail and high-net-worth unit, believes banks should break with a traditional view of success as coming from the institution rather than, at times at least, extraordinarily gifted individuals. "Sometimes you have to pay the player more than the coach," she says. "So let the top performers out-earn their managers." Above all, she says, banks have to be certain that pay "is commensurate with the level and expertise [of the advisor] and the competitive pressures in the market for talent."

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